



STATE OF CALIFORNIA
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December 8, 2003

FTB NOTICE 2003- 10

SUBJECT: REPEAL OF THE MANUFACTURERS' INVESTMENT CREDIT (MIC)

The California Legislative Counsel issued a written opinion dated June 17, 2003, that the MIC statute has been repealed by its own terms and ceases to be operative as of January 1, 2004, due to a reduction in manufacturing sector jobs. The department has received questions from taxpayers concerning the proper treatment of costs paid or incurred during the operative dates of the MIC statute for property that will be placed in service on or after the repeal date of the MIC statute.

Qualified costs for the MIC are limited to those costs paid or incurred during the operative dates of the MIC statute with respect to qualified property that is placed in service during the operative dates of the MIC statute. Thus, all costs paid or incurred during the operative dates of the MIC statute for qualified property that is placed in service prior to January 1, 2004, will be qualified costs for purposes of the MIC. Conversely, for property that is placed in service on January 1, 2004, or thereafter, none of those costs will be qualified costs for purposes of the MIC because a taxpayer is not eligible to claim the MIC until the property is placed in service in this state.

The MIC regulations provide the definition of the term "placed in service" for purposes of the MIC and should be consulted by taxpayers with issues in this area. (Cal. Code Regs., tit. 18, §§ 17053.49-2, sub. (i), & 23649-2, sub. (i).)

The principal author of this notice is Geoffrey S. Way of the Franchise Tax Board, Legal Department. For further information regarding this notice, contact Mr. Way at the Franchise Tax Board, Legal Department, P. O. Box 1720, Rancho Cordova, CA 95741-1720.